

Texas Transportation Commission Quarterly Investment Report



August 31, 2020



An aerial photograph of a city, likely Dallas, showing a complex highway interchange with multiple lanes and overpasses. The city skyline is visible in the background with various skyscrapers. The entire image is tinted with a dark blue color. Overlaid on the center of the image is the text "Connecting You with TEXAS".

Connecting
You with **TEXAS**

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Management's Certification of the Quarterly Investment Report

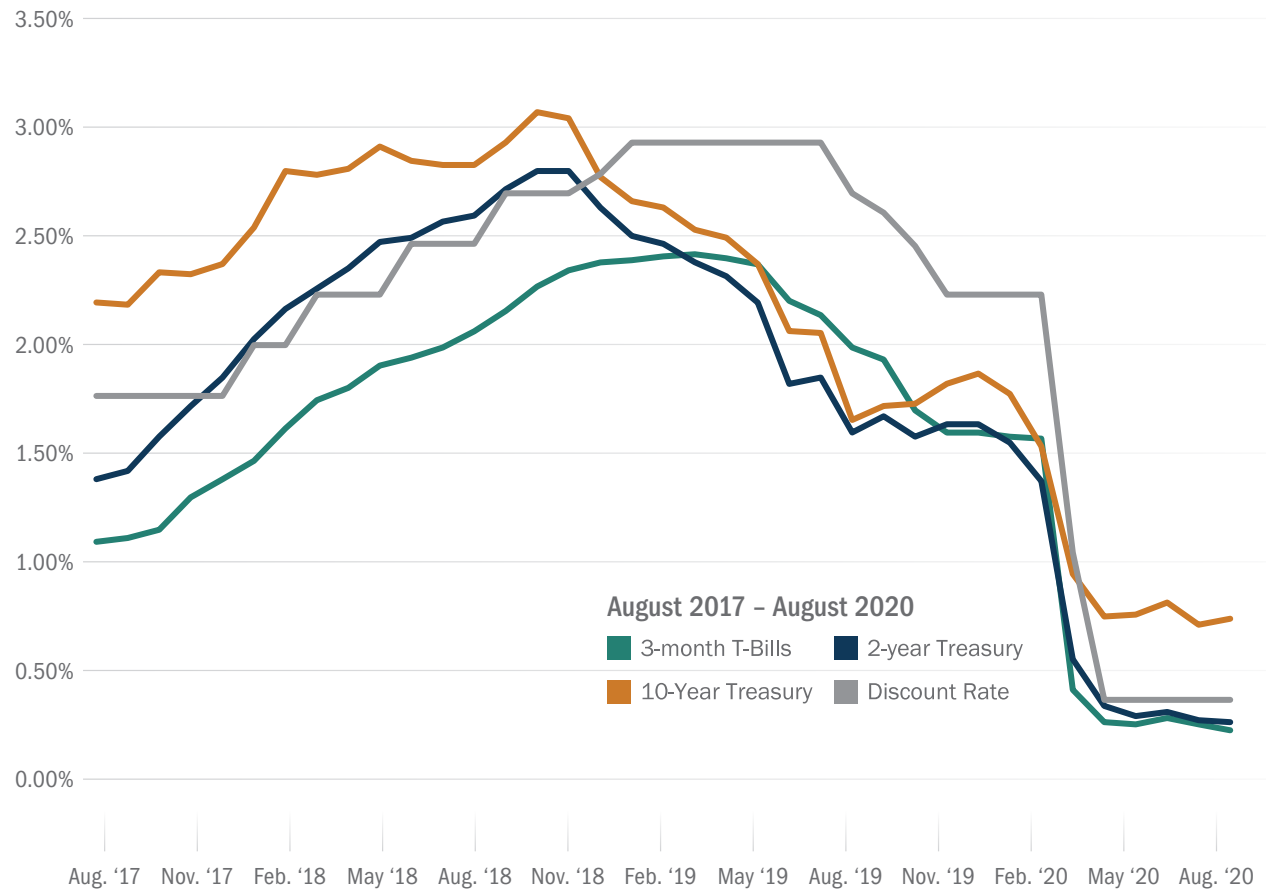
I certify that I have reviewed the Quarterly Investment Report as of and for the period ending August 31, 2020 that is being submitted to the Texas Transportation Commission. To the best of my knowledge and belief:

1. In all material respects, the Investment Report was prepared in accordance, with the guidelines presented in Government Code, Chapter 2256 (Public Funds Investment Act) and Section 9.0 of the investment policy. The investments have been accorded consistent treatment in accordance with generally accepted accounting principles.
2. There have been no material misrepresentations in the report by the inclusion or exclusion of information.
3. An effective system of internal controls has been established to ensure that material financial information is recorded in the accounting system and properly reported in the report and there were no material weaknesses in internal control during the period covered by the report or thereafter.
4. An independent accountant's report on agreed-upon procedures to review management's compliance with the Public Funds Investment Act is conducted annually. The report is presented to the commission.

Brian D. Ragland, CPA
Chief Financial Officer
Investment Officer

Benjamin H. Asher
Director, Project Finance, Debt & Strategic Contracts Division
Investment Officer

U.S. Treasury Historical Yields





2002 Project of the Central Texas Turnpike System

MANAGEMENT DISCUSSION

The Central Texas Turnpike System (the System) investments are held by The Bank of New York Mellon, acting as trustee. The funding of investments includes bond proceeds, capital contributions for the purpose of financing the 2002 Project of the System, revenues derived from operation of the System’s toll roads and related investment earnings.

Suitable investments have been determined using the following criteria and priorities pursuant to the commission’s investment policy and the investment strategy relating to the System:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

The investment instruments described in Schedule 1 are in compliance with the Public Funds Investment Act, investment policy and strategy of the commission.

INVESTMENT ACTIVITY

Investment income for the quarter: \$2,473,939, yield 1.36%.

The System collected \$48.8 million in revenue during the quarter. The Guaranteed Investment Contract is intended to be held to the maturity date of August 15, 2022.

CURRENT STRATEGY

The Capital Contributions account will be invested to match planned expenditures. Our strategy, however, remains guided by the following principles: safety of principal, liquidity and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for August 2020 as posted by the Federal Reserve.

- 3-Month Treasury: 0.10%
- 2-Year Treasury: 0.14%
- 10-Year Treasury: 0.65%
- Discount Rate: 0.25%

Schedule 1 – Investments

Income for Quarter: \$2,473,939
Yield for Quarter: 1.36%

Description	Yield	Maturity Date	Book Value	Fair Value ¹
<i>Money Market Investments</i>				
Morgan Stanley Govt MMKT Fund	0.020%	09/01/20	\$ 87,330,279	\$ 87,330,279
JP Morgan Govt MMKT Fund	0.040%	09/01/20	102,515,356	102,515,356
<i>U.S Government Securities</i>				
U.S. Treasury Notes	1.605%	02/15/21	6,005,990	6,005,990
<i>Lone Star Investment Pool ²</i>				
Government Overnight Fund	0.120%	09/01/20	23,189,001	23,186,706
<i>TexPool ²</i>				
Local Government Investment Pool	0.177%	09/01/20	121,245,710	121,219,914
Prime	0.340%	09/01/20	64,065,645	64,047,127
<i>Guaranteed Investment Contract ³</i>				
Citigroup Global Markets Inc. GIC (CUSIP S86538450)	5.200%	08/15/22	114,999,379	114,999,379
<i>Funds Held by Texas Treasury Safekeeping Trust Company</i>				
Operating, Maint. and Reserve Maint.	0.031%	09/01/20	170,421,465	170,421,465
			\$ 689,772,825	\$ 689,726,215

Notes:

¹ For the quarter, \$44,636 was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

² These local government investment pools seek to maintain a one dollar per share, as required by the Texas Public Funds Investment Act.

³ This security was purchased under the terms of a forward purchase agreement that was executed in August 2002 at rates that were currently available at that time.

Fair Values are reported on monthly account statements. Totals may not up add up due to rounding.

Schedule 2 – Allocation by Account

5/31/2020

Description	Revenue Fund	1st Tier Interest Account (A)	1st Tier Principal Account	1st Tier Debt Service Reserve	2nd Tier Interest (B)	2nd Tier Debt Service Reserve	Rate Stabilization Fund	Capital Contribution Account	Accounts Held by Comptroller	Accounts Held by TTSTC	Portfolio Total
JP Morgan Government MM	330,989	14,099	439,426	950	650,998	-	13	6,133,592	-	-	\$ 7,570,066
Morgan Stanley Government MM	-	-	-	-	-	95,895	-	-	-	-	\$ 95,895
U.S. Treasury Notes	35,098,700	-	26,374,166	6,036,454	28,379,806	401,128	-	40,056,400	-	-	\$ 136,346,654
U.S. Treasury Bill	39,989,200	24,583,361	-	-	-	29,791,954	-	-	-	-	\$ 94,364,515
U.S. Government Agency	-	-	-	-	-	-	-	-	-	-	\$ -
U.S. Government Agency Discount Notes	58,682,101	-	-	-	-	-	-	-	-	-	\$ 58,682,101
Lone Star Government	-	-	-	-	-	-	12,347,432	10,826,508	-	-	\$ 23,173,940
TexPool Government	82,150,294	540,183	-	1,251,820	-	23,708,554	56,469,193	80,335,106	-	-	\$ 244,455,150
TexPool Prime	-	-	-	-	-	-	-	-	-	-	\$ -
Guaranteed Investment Contract	-	-	-	114,999,379	-	-	-	-	-	-	\$ 114,999,379
Accounts Held by Comptroller	-	-	-	-	-	-	-	-	84,085,734	-	\$ 84,085,734
Accounts Held by TTSTC	-	-	-	-	-	-	-	-	-	227	\$ 227
Totals	216,251,283	25,137,643	26,813,592	122,288,602	29,030,804	53,997,531	68,816,638	137,351,607	84,085,734	227	\$ 763,773,660

8/31/2020

Description	Revenue Fund	1st Tier Interest Account (A)	1st Tier Principal Account	1st Tier Debt Service Reserve	2nd Tier Interest (B)	2nd Tier Debt Service Reserve	Rate Stabilization Fund	Capital Contribution Account	Accounts Held by Comptroller	Accounts Held by TTSTC ^(C)	Portfolio Total
JP Morgan Government MM	4,575,816	35,179,823	36,480,801	18,871	-	-	13	26,260,032	-	-	\$ 102,515,356
Morgan Stanley Govt MM	-	-	-	-	57,866,367	29,463,912	-	-	-	-	87,330,279
U.S. Treasury Notes	-	-	-	6,005,990	-	-	-	-	-	-	6,005,990
U.S. Treasury Bills	-	-	-	-	-	-	-	-	-	-	-
U.S. Government Agency	-	-	-	-	-	-	-	-	-	-	-
U.S. Government Agency Discount Notes	-	-	-	-	-	-	-	-	-	-	-
Lone Star Government	-	-	-	-	-	-	12,354,234	10,832,472	-	-	23,186,706
TexPool Government	23,803,453	540,498	-	1,252,549	-	23,722,372	31,532,023	40,369,018	-	-	121,219,914
TexPool Prime	-	-	-	-	-	-	24,017,673	40,029,455	-	-	64,047,127
Guaranteed Investment Contract	-	-	-	114,999,379	-	-	-	-	-	-	114,999,379
Accounts Held by Comptroller	-	-	-	-	-	-	-	-	-	-	-
Accounts Held by TTSTC	-	-	-	-	-	-	-	-	-	170,421,465	170,421,465
Totals	28,379,269	35,720,322	36,480,801	122,276,789	57,866,367	53,186,285	67,903,942	117,490,977	-	170,421,465	\$ 689,726,215

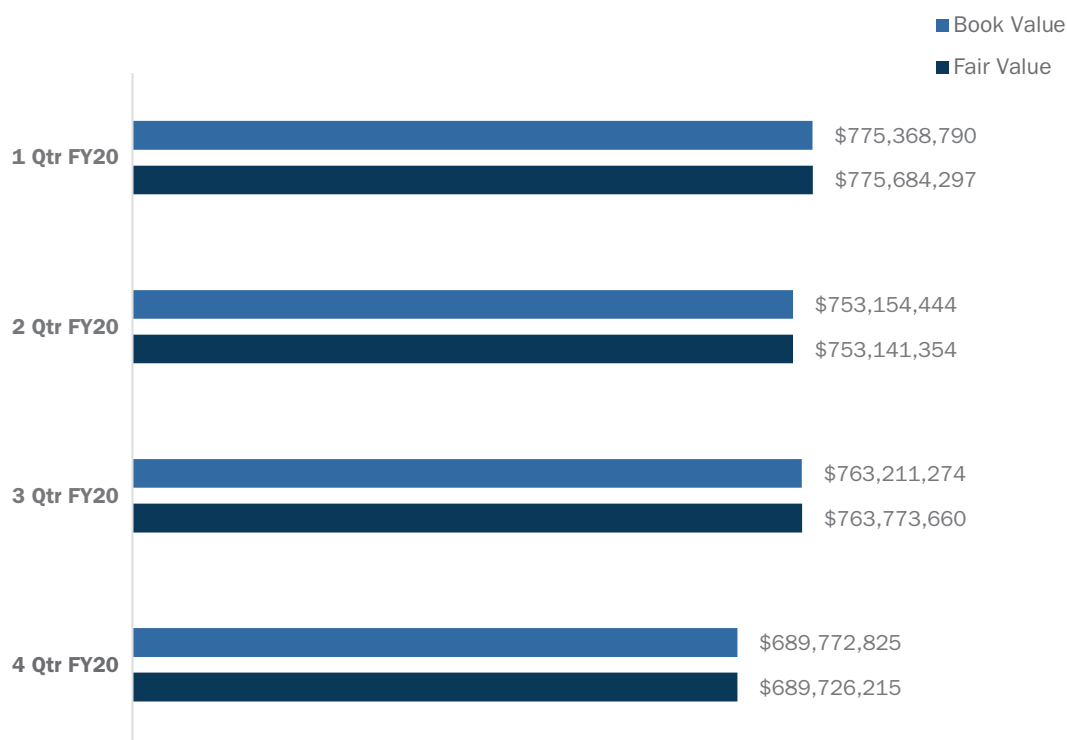
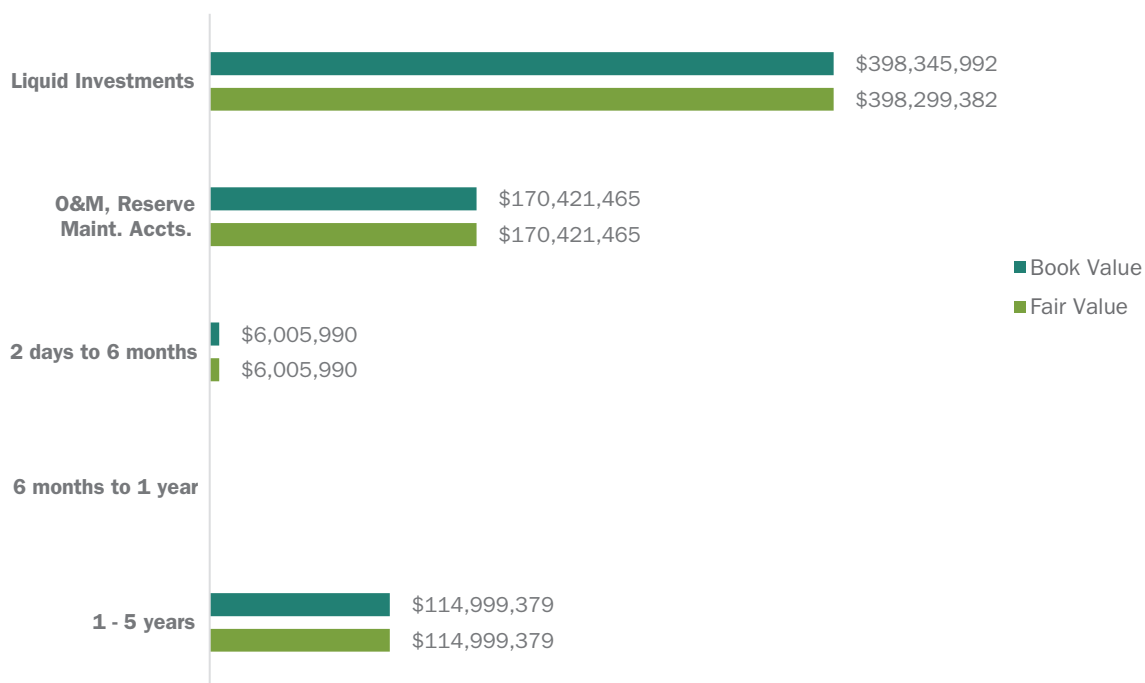
Note ^(A) - In August, \$43.4 million in debt service was paid.

Note ^(B) - In August, \$28.9 million in debt service was paid.

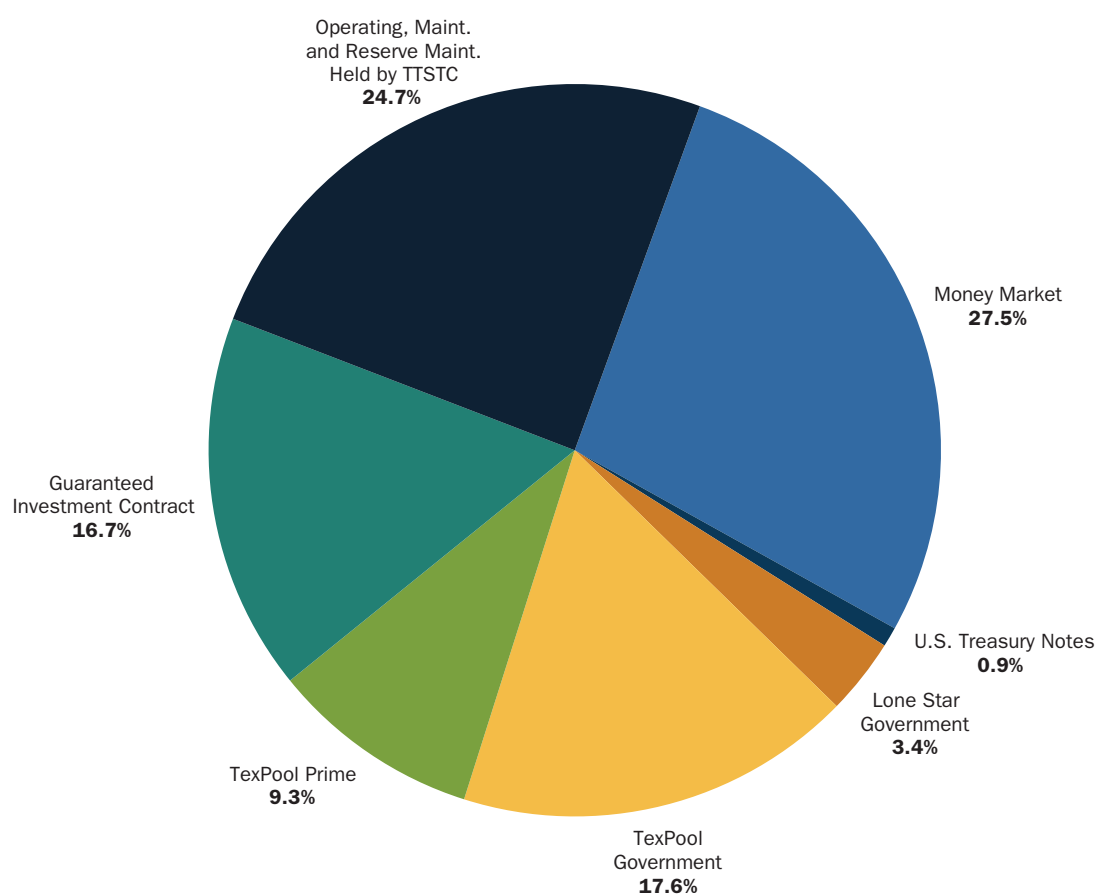
Note ^(C) - TTSTC - Texas Treasury Trust Company

Fair Values as reported on monthly account statements. Totals may not add up due to rounding.

Schedule 3 – Maturity Distribution and Quarter End Comparison



Schedule 4 – Investments by Security Type



■ Money Market	\$189,845,635
■ U.S. Treasury Notes	6,005,990
■ Lone Star Government	23,186,706
■ TexPool Government	121,219,914
■ TexPool Prime	64,047,127
■ Guaranteed Investment Contract	114,999,379
■ Operating, Maint. and Reserve Maint. Held by TTSTC	170,421,465

Total Investments (Fair Value) \$689,726,215



I-35E Project

MANAGEMENT DISCUSSION

In August 2016, the Texas Transportation Commission adopted an investment strategy for the I-35E Managed Lanes Project (I-35E System) in anticipation of executing a trust agreement with Amegy Bank, a Division of ZB, National Association to serve as trustee for the trust securing the I-35E System toll revenue obligations. On November 3, 2016, the commission executed a loan agreement (TIFIA Loan) with the United States Department of Transportation pursuant to the Transportation Infrastructure Finance and Innovation Act to finance a portion of the I-35E System and secured by the revenues of the system.

Suitable investments have been determined using the following criteria, priorities pursuant to the commission's investment policy and the investment strategy relating to the I-35E System:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

Investments in this portfolio for Type I funds must be an eligible investment pursuant to the TIFIA Loan agreement. Type I funds include the Revenue Fund, Debt Service Fund, and General Fund (excluding Capitalized Interest Funds).

INVESTMENT ACTIVITY

Interest and Investment Income for the quarter: \$90,390, yield 0.51%.

The IH 35E System collected \$3.9 million in revenue during the quarter.

CURRENT STRATEGY

Investment of this portfolio is determined by the cash flow projections for the revenue fund. Our strategy, however, remains guided by the following principles: safety of principal, liquidity and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for August 2020 as posted by the Federal Reserve.

- 3-Month Treasury: 0.10%
- 6-Month Treasury: 0.12%
- 1-Year Treasury: 0.13%
- 2-Year Treasury: 0.14%

Schedule 1 – Investments

Income for Quarter: \$90,390
Yield for Quarter: 0.51%

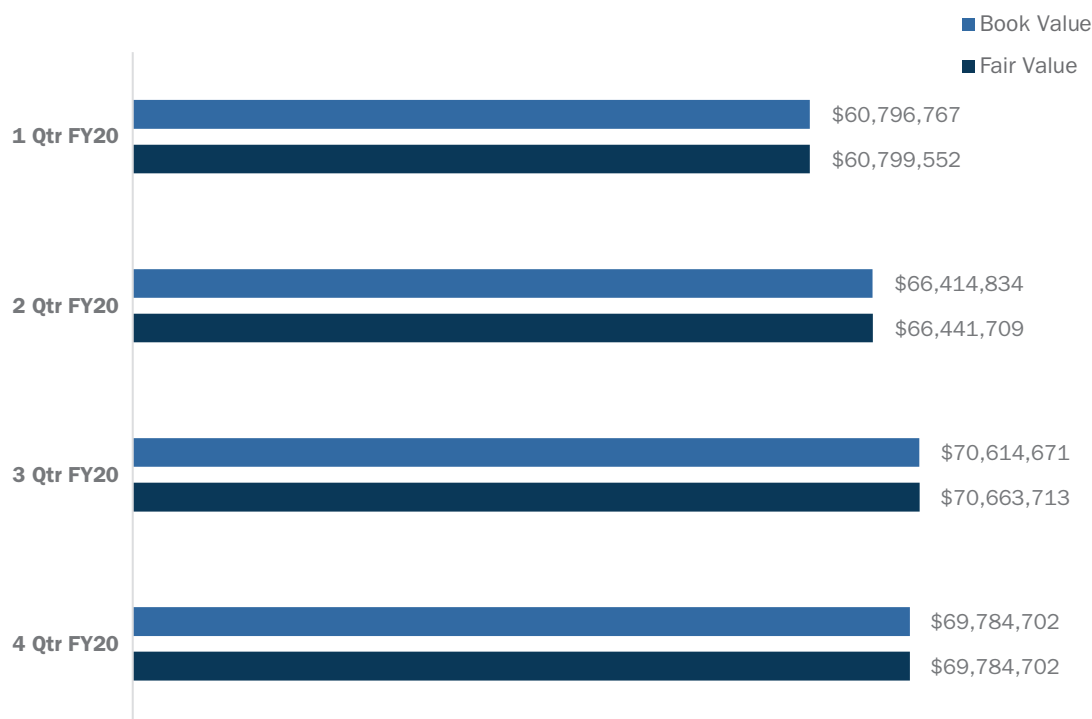
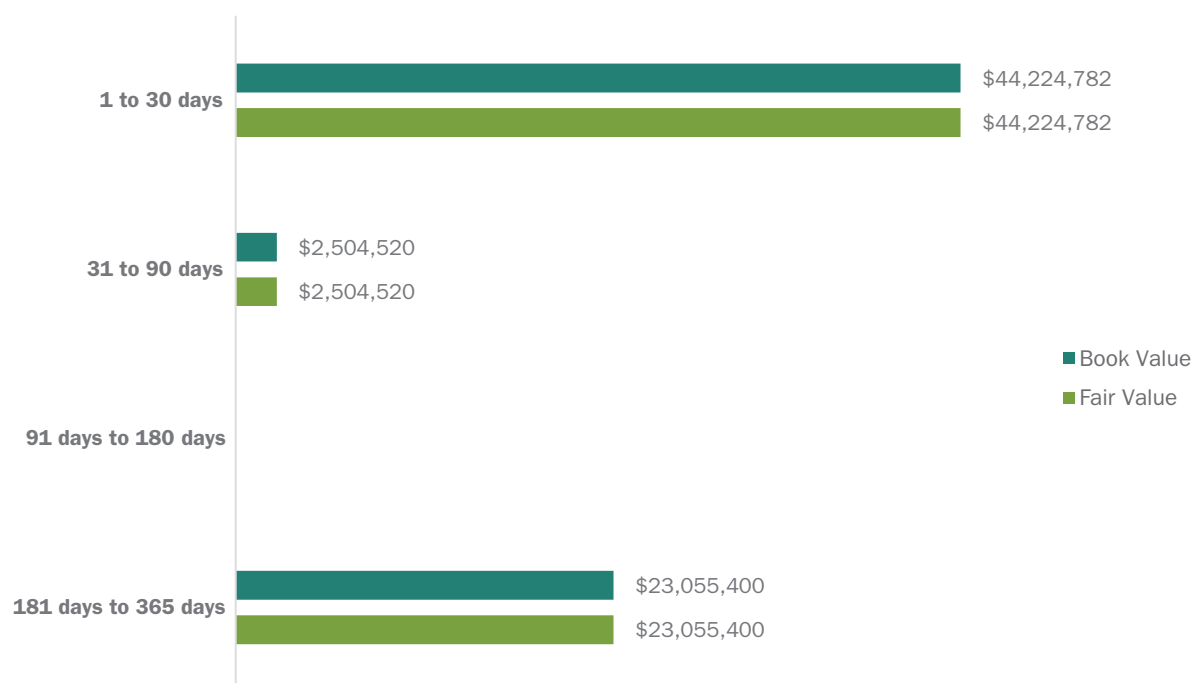
Description	Yield	Maturity Date		Book Value	Fair Value ¹
Money Market Investments					
Fidelity Treasury Portfolio	0.030%	09/01/20	\$	44,224,782	\$ 44,224,782
U.S Treasury Bills, Notes, and Agencies					
U.S. Treasury Notes	1.625%	10/15/20		2,504,520	2,504,520
U.S. Treasury Notes	2.250%	07/31/21		3,056,250	3,056,250
Fannie Mae Agency Notes	0.350%	08/24/23		10,000,074	10,000,074
Freddie Mac Agency Notes	0.400%	02/26/24		9,999,076	9,999,076
			\$	69,784,702	\$ 69,784,702

Notes:

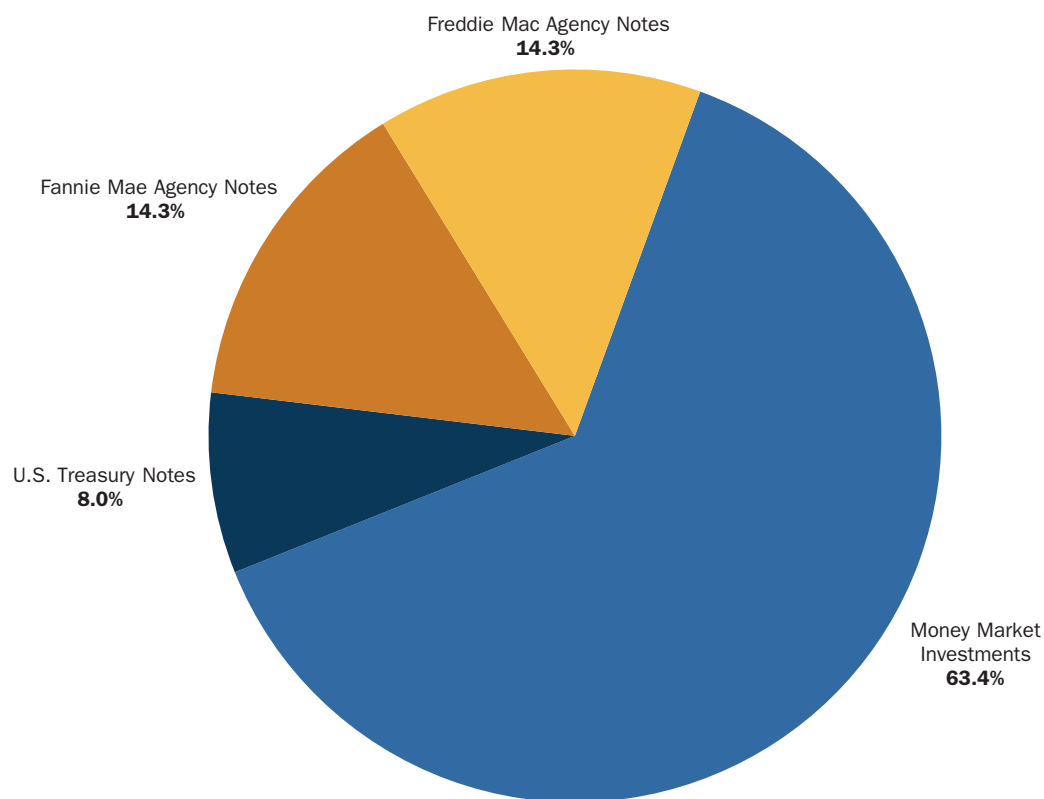
¹ For the quarter, (\$24,864) was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

Fair Values are reported on monthly account statements. Totals may not add up due to rounding.

Schedule 2 – Maturity Distribution and Quarter End Comparison



Schedule 3 – Investments by Security Type



■ Money Market Investments	\$44,224,782
■ U.S. Treasury Notes	5,560,770
■ Fannie Mae Agency Notes	10,000,074
■ Freddie Mac Agency Notes	9,999,076

Total Investments (Fair Value) \$69,784,702



Prepaid TxTag Account

MANAGEMENT DISCUSSION

During the investment policy update in August 2015, the Texas Transportation Commission adopted an investment strategy for the Pre-Paid Tx Tag account held by The Bank of New York Mellon, acting as custodian.

Suitable investments have been determined using the following criteria, priorities pursuant to the commission's investment policy and the investment strategy relating to the system:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

Investments in this portfolio are restricted to:

- 1) US Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest;
- 2) Federal Agency or U.S. government sponsored enterprises (GSE) obligations, participations or other instruments; and
- 3) Securities and Exchange Commission registered money market funds.

Further restrictions on the portfolio include:

- 1) Only 20% of the Custodial Account can be investment with a final maturity not to exceed two years from the date of purchase.
- 2) Maximum weighted average maturity for the investments may not exceed 240 days at any time.

The investment instruments described in Schedule 1 are in compliance with the Public Funds Investment Act, investment policy and strategy of the commission.

INVESTMENT ACTIVITY

Interest and Investment Income for the quarter: \$70,173, yield 0.70%.

Schedule 1 outlines all investments outstanding for the quarter ending August 31, 2020.

CURRENT STRATEGY

Invest the portfolio for diversification into 6-9 month maturity sector. Our strategy, however, remains guided by the following principles: safety of principal, liquidity and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for August 2020 as posted by the Federal Reserve.

- 3-Month Treasury: 0.10%
- 6-Month Treasury: 0.12%
- 1-Year Treasury: 0.13%
- 2-Year Treasury: 0.14%

Schedule 1 – Investments

Income for Quarter: \$70,173
Yield for Quarter: 0.70%

Description	Yield	Maturity Date	Book Value		Fair Value ¹
Money Market Investments					
BlackRock FedFund MM	0.030%	09/01/20	\$	27,390,733	\$ 27,390,733
U.S Government Securities					
Federal Home Loan Agency Notes	1.625%	10/21/20		5,009,950	5,009,950
U.S. Treasury Notes	1.512%	12/15/20		5,005,192	5,025,000
Federal Home Loan Discount Notes	0.448%	03/19/21		3,192,178	3,197,696
			\$	40,598,053	\$ 40,623,379

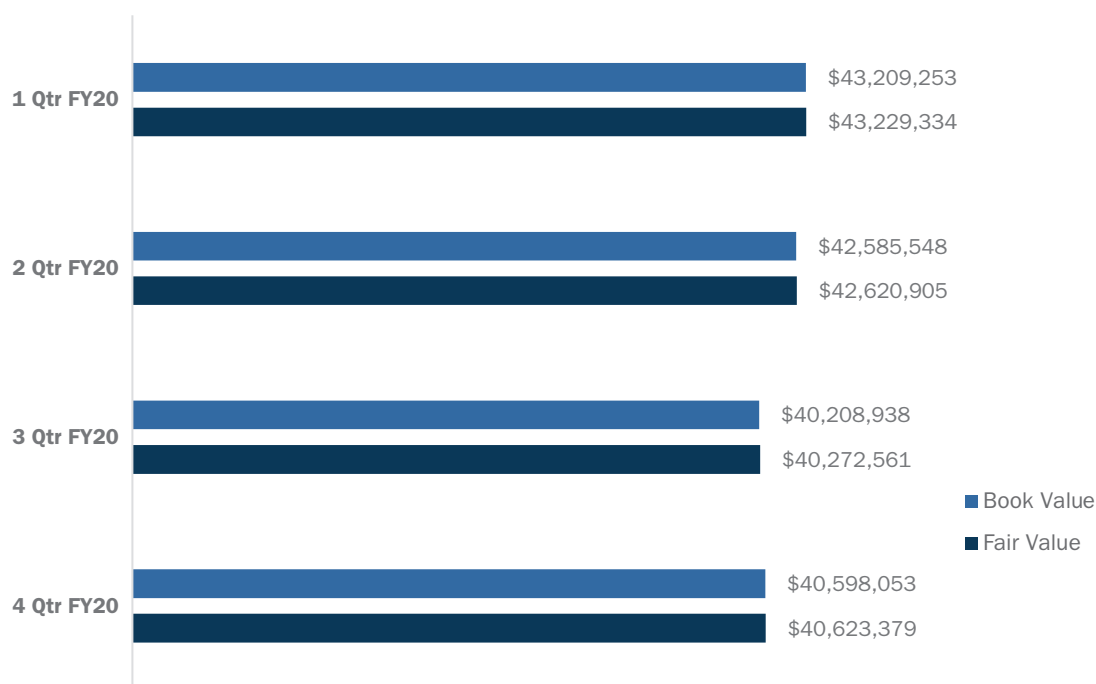
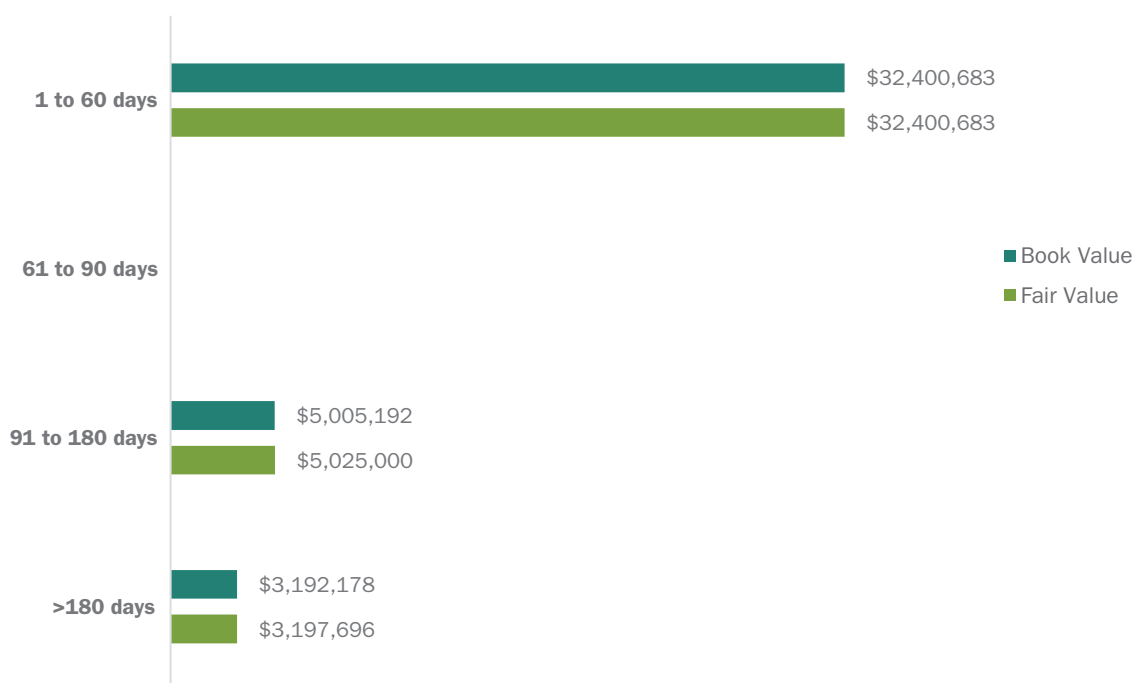
Notes:

¹ For the quarter, (\$18,200) was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

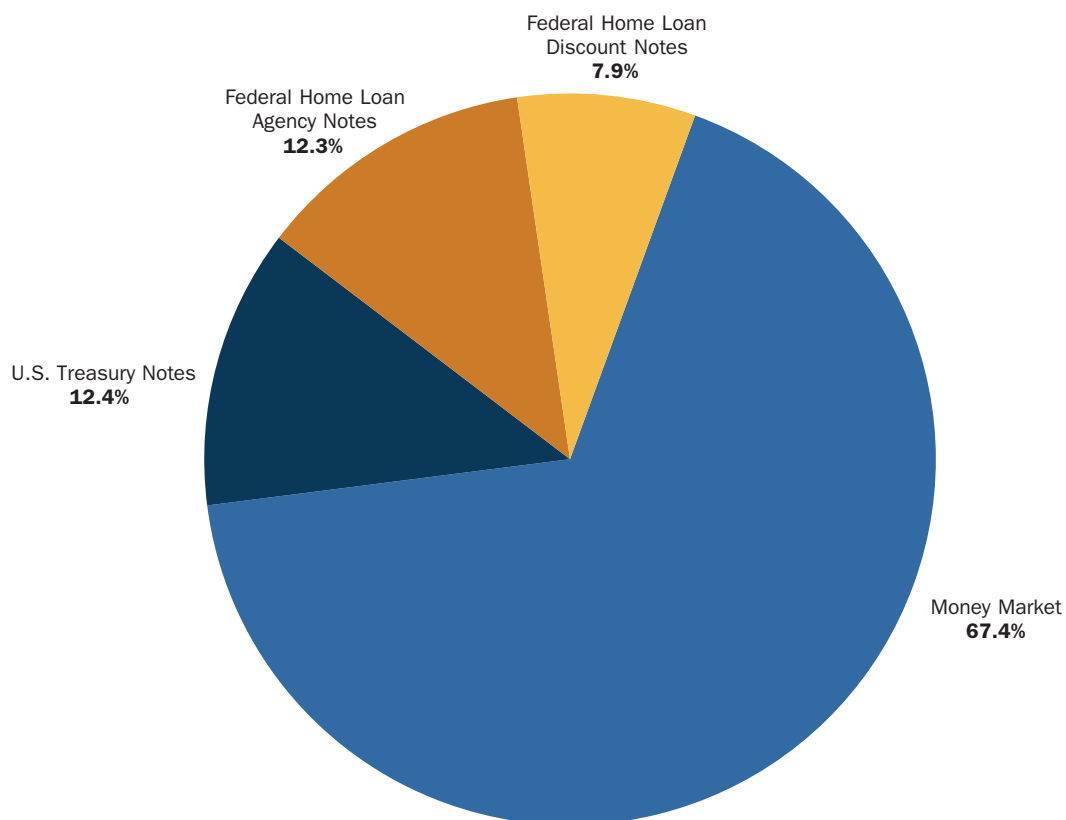
"Weighted average yield to maturity" is the portfolio performance measurement standard.

Fair Values are reported on monthly account statements. Totals may not add up due to rounding.

Schedule 2 – Maturity Distribution and Quarter End Comparison



Schedule 3 – Investments by Security Type



■ Money Market	\$27,390,733
■ U.S. Treasury Notes	5,025,000
■ Federal Home Loan Agency Notes	5,009,950
■ Federal Home Loan Discount Notes	3,197,696

Total Investments (Fair Value) \$40,623,379



SH 249 System Account

MANAGEMENT DISCUSSION

In December 2018, the Texas Transportation Commission (commission) adopted an investment strategy for the SH 249 System under a Master Trust Agreement with U.S. Bank National Association to serve as trustee securing the SH 249 System toll revenue obligations.

Suitable investments have been determined using the following criteria, priorities pursuant to the commission's investment policy and the investment strategy relating to the SH 249 System:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

INVESTMENT ACTIVITY

Interest and Investment Income for the quarter: \$182,572, yield 0.95%.

Bond proceeds for the SH 249 System were received on February 26, 2019.

During the quarter, \$23 million was utilized for construction on the project.

CURRENT STRATEGY

Investment of this portfolio is determined by the cash flow projections for the new loan proceeds.

Our strategy is guided by the following principles: safety of principal, liquidity and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for August 2020 as posted by the Federal Reserve.

- 3-Month Treasury: 0.10%
- 6-Month Treasury: 0.12%
- 1-Year Treasury: 0.13%
- 2-Year Treasury: 0.14%

Schedule 1 – Investments

Income for Quarter: \$182,572
Yield for Quarter: 0.95%

Description	Yield	Maturity Date	Book Value	Fair Value ¹
<i>U.S Government Securities</i>				
U.S. Treasury Notes	2.577%	01/31/21	3,629,520	3,629,520
U.S. Treasury Notes	2.577%	01/31/21	302,460	302,460
U.S. Treasury Notes	1.524%	03/31/21	10,062,500	10,062,500
U.S. Treasury Notes	0.451%	07/31/21	4,075,000	4,075,000
U.S. Treasury Notes	0.451%	07/31/21	10,187,500	10,187,500
<i>TexPool ²</i>				
Local Government Investment Pool	0.177%	09/01/20	39,830,924	39,824,291
			\$ 68,087,904	\$ 68,081,271

Notes:

¹ For the quarter, (\$138,749) was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

² This local government investment pool seek to maintain a one dollar per share as required by the Texas Public Funds Investment Act.

Fair Values are reported on monthly account statements. Totals may not add up due to rounding.

Schedule 2 – Allocation by Account

5/31/2020

Description	Construction Account	2019A Capitalized Interest Account	2019A First Tier Reserve Account	Taxable 2019B Capitalized Interest Account	Taxable 2019B First Tier Reserve Account	2019A Costs of Issuance Account	Taxable 2019B Cost of Issuance Account	Rate Stabilization Fund	Portfolio Total
Fidelity Government MM	-	15	6	-	-	-	-	-	\$ 21
Goldman Sachs Government MM	-	-	-	-	-	-	-	-	\$ -
Morgan Stanley Government MM	-	-	-	10,970	2,312	-	-	-	\$ 13,282
TexPool Government	30,423,761	5,001,448	14,273,348	313,915	1,305,674	-	-	6,135,434	\$ 57,453,581
Federal Home Loan Discount Notes	-	-	-	-	-	-	-	-	\$ -
U.S. Treasury Bills	-	-	-	-	-	-	-	-	\$ -
U.S. Treasury Notes	5,012,400	17,495,976	10,087,100	604,773	-	-	-	4,095,480	\$ 37,295,729
Totals	35,436,161	22,497,439	24,360,454	929,658	1,307,987	0	0	10,230,914	\$ 94,762,613

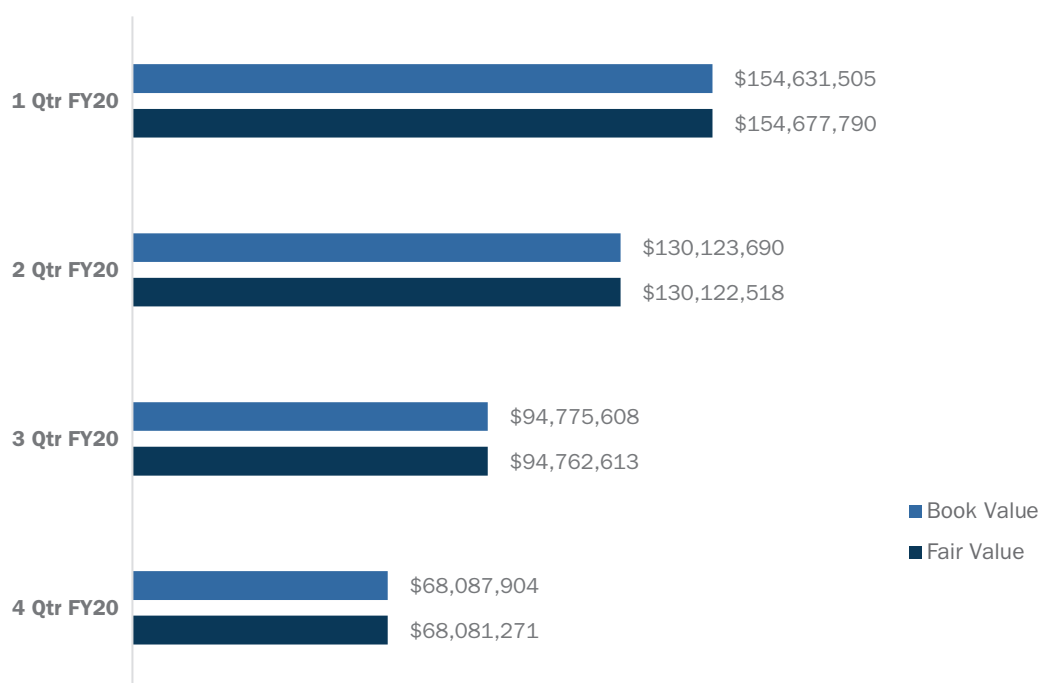
8/31/2020

Description	Construction Account	2019A Capitalized Interest Account	2019A First Tier Reserve Account	Taxable 2019B Capitalized Interest Account ^(A)	Taxable 2019B First Tier Reserve Account	2019A Costs of Issuance Account	Taxable 2019B Cost of Issuance Account	Rate Stabilization Fund	Portfolio Total
Fidelity Government MM	-	-	-	-	-	-	-	-	\$ -
Goldman Sachs Government MM	-	-	-	-	-	-	-	-	\$ -
Morgan Stanley Government MM	-	-	-	-	-	-	-	-	\$ -
TexPool Government	12,526,952	5,189,006	14,281,673	333,901	1,308,748	-	-	6,184,011	\$ 39,824,291
Federal Home Loan Discount Notes	-	-	-	-	-	-	-	-	\$ -
U.S. Treasury Bills	-	-	-	-	-	-	-	-	\$ -
U.S. Treasury Notes	-	13,817,020	10,062,500	302,460	-	-	-	4,075,000	\$ 28,256,980
Totals	12,526,952	19,006,026	24,344,173	636,361	1,308,748	0	0	10,259,011	\$ 68,081,271

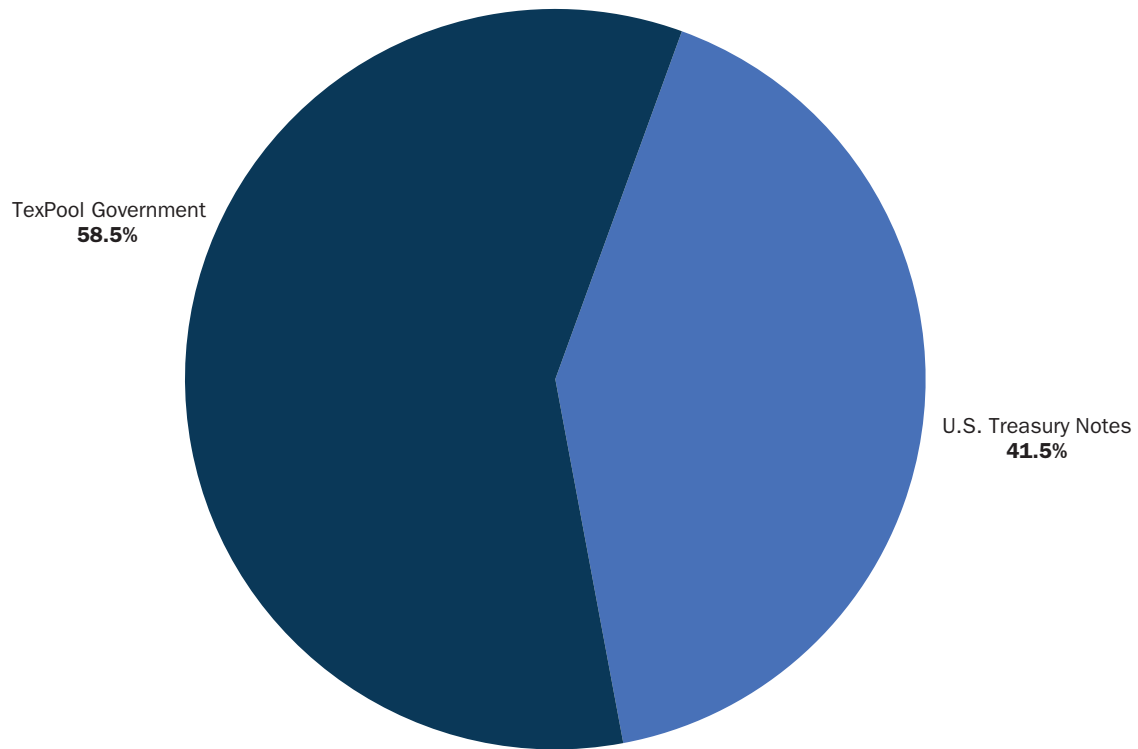
Note ^(A) - In August, \$3.9 million in Capitalized Interest was paid.

Fair Values as reported on monthly account statements. Totals may not add up due to rounding.

Schedule 3 – Maturity Distribution and Quarter End Comparison



Schedule 4 – Investments by Security Type



■ U.S. Treasury Notes	\$28,256,980
■ TexPool Government	39,824,291

Total Investments (Fair Value)	\$68,081,271
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